

Results and prospects > Segment performance > Stock exchange

Stock exchange

Grupa LOTOS shares have been listed on the Warsaw Stock Exchange since June 9th 2005. In 2005, 78,700,000 ordinary Series A shares with a par value of PLN 1 per share and 35,000,000 ordinary Series B shares with a par value of PLN 1 per share were introduced to public trading under the Issue Prospectus.

Following the issue of Series B shares, on June 28th 2005, an increase in the Company's share capital to PLN 113,700,000 was registered.

The issue price was set at PLN 29. After trading had started, the market price rose to PLN 32, i.e. by 10.34%.

Grupa LOTOS raised proceeds of PLN 1,015,000,000 through the public offering. These were applied towards the acquisition of shares in Rafineria Czechowice (80.04% ownership interest), Rafineria Jaslo S.A. (80.01%), Rafineria Nafty Glimar S.A. (91.54%) and Petrobaltic S.A. (69%).

On July 17th 2009, another increase in Grupa LOTOS' share capital was registered after the issue of 16,173,362 ordinary Series C shares covered by a non-cash contribution in the form of shares in LOTOS Petrobaltic, LOTOS Jaslo and LOTOS Czechowice.

In 2014, Grupa LOTOS issued 55,000,000 Series D ordinary bearer shares in a public offering. The issue price of offered shares was set at PLN 18.10 per share. The issue proceeds will be applied towards co-financing of the EFRA Project (i.e. construction of a delayed coking unit at the Gdańsk refinery) and towards the development of the B4 and B6 gas fields in the Baltic Sea.

The total number of Company shares as at December 31st 2014 is 129,873,362.

On January 9th 2015, Grupa LOTOS' share capital was increased from PLN 129,873,362 to PLN 184,873,362, effected through the issue of 55,000,000 ordinary shares.

Share price (PLN) and trading volume (number of shares) since first listing on the WSE



Grupa LOTOS share price performance vs. index performance

2014 was a successful year for investors trading on stock markets in the U.S. and South Asia. Key stock exchange indices in the U.S. climbed by over 10%, with S&P 500 and Nasdaq up by 11.4% and 13.4%, respectively. These high rates of return were driven by positive signals from the American economy. However, the highest rates of return in 2014 were brought by equities listed on the Chinese Shanghai Stock Exchange, where the Shanghai Composite Index rose by 52.9%, also on the back of positive information from the Chinese market.

At the same time, global capital shifted away from emerging markets, whose sluggish economic growth, growing political risk, and weaker local currencies discouraged investments (China being the sole exception). Given the geographical location of Poland in the vicinity of Russia and Ukraine and lower liquidity of the stock exchange market, the year saw only slight movements in the WSE indices.

The index of all companies listed on the Main Market, WIG, gained 0.3%, and the annual change in WIG-20 was negative at -3.5%. The lowest rate of return was delivered by the WIG250 small-cap index, which was down 16.8%.

Looking at stock performance by sector, the best-performing WIG-ENERGIA power sector index gained 23.5%, with the WIG-PALIWA fuels sector index up 5.2%.

The RESPECT corporate social responsibility index increased by over 4.4% during 2014.

The price of Grupa LOTOS shares followed general market trends in H1 2014, but later fell sharply when the Board announced plans to issue new

Series D shares. Throughout the year Grupa LOTOS shares traded within the PLN 24.05–40.96 range, and closed the year at PLN 25.50.

In 2014, the average number of LOTOS shares changing hands in a trading session was 203,839, down 11% year on year. The total value of trading in the stock was in excess of PLN 1.6bn, representing 0.7% of total WSE trading, with an average of 851 trades per session.

The Company's market capitalisation as at the end of 2014 was just over PLN 3.3bn.

Grupa LOTOS shares

	2009	2010	2011	2012	2013	2014
Free float shares (million shares)	129.87	129.87	129.87	129.87	129.87	129.87
Price of Grupa LOTOS shares (PLN)						
Low	7.21	25.05	22.26	21.30	32.97	24.05
High	32.80	37.85	49.50	43.78	45.45	40.96
Closing price	31.80	36.35	23.30	41.20	35.45	25.50
Rate of return at end of period (%)	166.11	14.31	-35.9	76.82	-13.96	-28.07

	2009	2010	2011	2012	2013	2014
Trade in Grupa LOTOS shares						
Trading value (PLN m)	3,642.56	3,684.33	3,299.07	2,013.15	2,211.43	1,588.52
Share in trading volume (%)	1.11	0.88	1.31	1.07	1.00	0.77
Average trading volume per session	381,938	234,464	377,048	282,163	229,877	203,839
Average number of trades per session	945	699	967	810	877	851

	2009	2010	2011	2012	2013	2014
Company valuation						
Market capitalisation at end of period (PLN m)	4,130.80	4,720.80	3,026.00	5,351.00	4,603.89	3,311.69
Book value (PLN m)	6,846.20	7,513.50	7,782.40	9,066.40	9,189.60	8,258.50
EV (PLN m)	9,513.72	10,679.70	10,232.00	11,642.30	10,319.79	9,627.39

	2009	2010	2011	2012	2013	2014
Valuation ratios						
Earnings per share (PLN)	7.44	5.23	5.03	7.11	0.30	-
P/E (x)	4.27	6.95	4.66	5.80	118.00	-
P/BV (x)	0.60	0.63	0.38	0.59	0.50	0.40
EV/EBITDA (x)	12.32	7.06	5.70	11.58	12.85	-

Source: In-house analysis based on WSE and Company data.

* EV (Enterprise Value) – market capitalisation plus debt, non-controlling interests, and preferred shares, minus cash and cash equivalents.

* P/E – Price/Earnings.

* P/BV – Price/Book Value.

* EV/EBITDA – Enterprise Value/EBITDA.

Share price (PLN) and trading volume (number of shares) in 2014

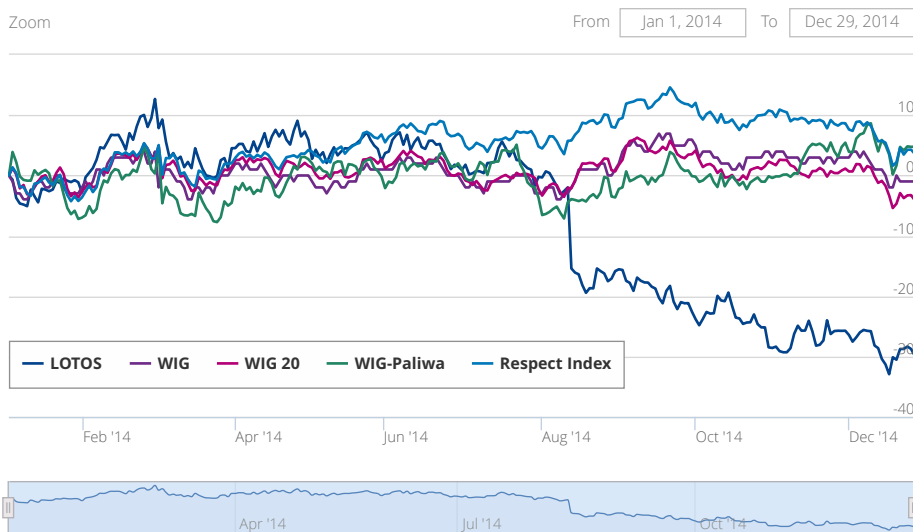


Effect of important events at the Company on the market price of Grupa LOTOS shares



Grupa LOTOS share price performance vs. index performance in 2014

* Rebased (100 = closing price at December 30th 2013)



Dividend policy

Dividend distributions under the 2011–2015 business strategy depend on the optimisation of the financing structure of the LOTOS Group. Grupa LOTOS' financial strategy provides for distribution of up to 30% of net profit as dividend.

The Grupa LOTOS Board proposed to fully cover the 2013 net loss of PLN 14,774,128.10 from the Company's statutory reserve funds.

Taking into consideration the Board's proposal, on June 30th 2014, the General Meeting resolved to fully cover Grupa LOTOS' 2013 net loss of PLN 14,774,128.10 from the Company's statutory reserve funds.

Dividend and dividend yield (PLN)

Financial year	Dividend	Dividend per share	Share price at year end	Dividend yield
2005	0.0	0.0	44.2	-
2006	40,932,000.0	0.4	49.3	0.7
2007	0.0	0.0	44.5	-
2008	0.0	0.0	12.0	-
2009	0.0	0.0	31.8	-
2010	0.0	0.0	36.4	-
2011	0.0	0.0	23.3	-
2012	0.0	0.0	41.2	-
2013	0.0	0.0	35.5	-

Source: In-house analysis based on Company data.

* Dividend yield – dividend per share to price per share.

Historical dividend per share

Financial year	Dividend per share	% of net profit	Dividend record date	Dividend payment date
2005	0.0	0.0	-	-
2006	0.4	10.1	Jun 11 2007	not later than Jul 31 2007
2007	0.0	0.0	-	-
2008	0.0	0.0	-	-
2009	0.0	0.0	-	-
2010	0.0	0.0	-	-
2011	0.0	0.0	-	-
2012	0.0	0.0	-	-
2013	0.0	0.0	-	-

Source: In-house analysis based on Company data.

* Dividend record date – the date on which the list of shareholders entitled to receive dividend for a given financial year is determined.

* Dividend payment date – the date on which dividend is paid to the Company's shareholders.

Brokers' recommendations on Grupa LOTOS shares

Recommendations on Grupa LOTOS shares are issued by 16 investment houses (including brokerage houses and investment banks):

Based in Poland	Based abroad
Citi	Deutsche Bank
DM mBanku	Erste Bank
DM BZ WBK	Raiffeisen Centrobank
DM BOŚ	Societe Generale
DM PKO BP	Wood & Co.
DM BDM	
DI Investors	
Espirito Santo Investment Bank	
ING Securities	
Ipopema Securities	

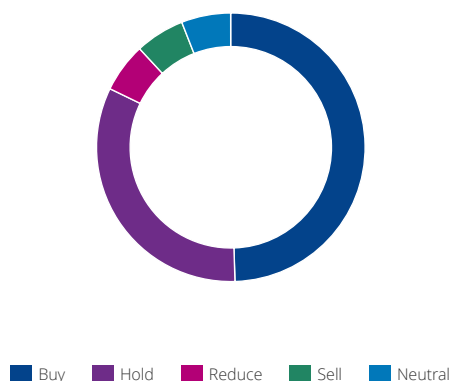
To the Company's knowledge, brokers issued 18 recommendations on the Company shares in 2014:

- 9 BUY recommendations
- 6 HOLD recommendations
- 1 REDUCE recommendation
- 1 SELL recommendation
- 1 NEUTRAL recommendation.

In addition, two brokers initiated coverage of Grupa LOTOS.

- * BUY – total expected rate of return will exceed 15% in 12 months
- * HOLD – total expected rate of return will be between -5% and +5% in 12 months
- * REDUCE – total expected rate of return will be between -5% and -15% in 12 months
- * SELL – total expected rate of return will be more than -15% in 12 months

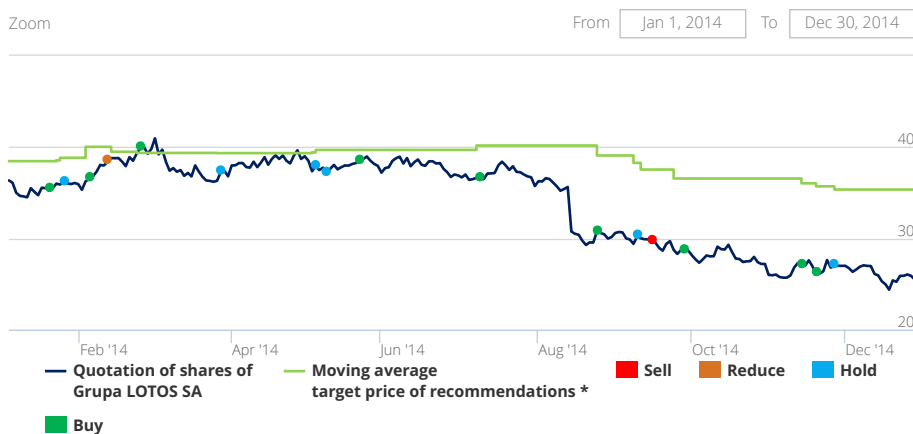
Structure of broker recommendations on Grupa LOTOS shares in 2014



The target price of Grupa LOTOS shares in brokers' research reports fluctuated from PLN 25.80 to PLN 54.07, compared with PLN 29.50 to PLN 56.30 in 2013. The average target price in 2014 was PLN 37.90 (2013: PLN 37.70).

Grupa LOTOS shares traded within the range from PLN 24.05 to PLN 40.96. The year-end closing price in 2014 was PLN 25.50.

Recommendations and moving average of target prices against the market price of the Company shares



* Simple moving average - arithmetic mean price target on the recommendation for 12 months (excluding renovation of recommendations older than 6 months).

Grupa LOTOS in the RESPECT Index

On November 19th 2009, the Warsaw Stock Exchange launched the first Central and Eastern European index of socially responsible companies – the RESPECT Index (Responsibility, Ecology, Sustainability, Participation, Environment, Community, Transparency). The index was designed to promote responsible management among listed companies and investors, encouraging the development of a socially responsible investment market in Poland.

Grupa LOTOS has been continuously included in the index since its inception, and each of the values included in the 'RESPECT' name is reflected in the Company's everyday business practices.

The RESPECT Index is composed of WSE-listed companies which meet the compliance criteria in the area of corporate governance, information policy and investor communication. This is consistent with global trends, which assume that transparent reporting of environmental, social and corporate governance data positively affects a company's valuation.

As of the beginning of 2014, the rules governing admission to the RESPECT Index and the frequency of surveys have changed. At present, the verification process covers three areas – environmental, social and governance, and the index is updated once a year. The RESPECT Index constituents are chosen from among the largest companies listed in the WIG30, mWIG40 and sWIG80 indices, but in its new form, the Index is also open to foreign companies.

The Company's responsible approach to business and policies based on ethical values allow Grupa LOTOS to gain the trust of its neighbours, customers, trading partners and shareholders. For our stakeholders, continued presence in the prestigious RESPECT Index is proof that Grupa LOTOS operates in compliance with the highest standards and minimises investment risk.

Areas reviewed in the RESPECT Index qualification process:

Environmental:	Social:	Governance:
<ul style="list-style-type: none">• Environmental management• Environmental impact mitigation• Biodiversity• Environmental aspects of products and services	<ul style="list-style-type: none">• OHS• HR management• Supplier relations• Dialogue with stakeholders• CSR reporting	<ul style="list-style-type: none">• Strategic management• Code of conduct• Risk management and misconduct risk management• Internal audit and control system• Customer relations

In 2014, Grupa LOTOS underwent an external review of compliance with the index's criteria. Since December 18th 2014, we have been included in the 8th RESPECT Index, which is composed of a record-breaking number of 24 companies.

RELATED CONTENT:

Ethics and corporate governance

The key objectives of Corporate Governance at Grupa LOTOS are to guarantee the transparency of its operations as a listed company, build trust in its relations with stakeholders, ensure openness and consistent building of shareholder value. In our activities in this area, we are guided by the system of values defined in the LOTOS Group's Code of Ethics and in the Code of Best Practice for WSE Listed Companies.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance>

Shareholding structure

The State Treasury holds ordinary bearer shares in Grupa LOTOS representing 53.19% of its share capital and the same proportion of voting rights at its GM whereas 8.6% of Grupa LOTOS share capital belongs to ING OFE. In 2014, the remaining 38.21% of the share capital was free float.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization/shareholding-structure>

Key objectives

We achieve our business objectives with due regard to corporate social responsibility and sustainable development by the best possible use of the organization's resources and capabilities to generate economic and social value for the benefit of the Company and its environment.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/key-objectives>